

Message Text

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ACTION AF-08

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INFO AMEMBASSY ACCRA
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AMEMBASSY BANJUL
AMEMBASSY BUJUMBURA
AMEMBASSY CAIRO
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AMEMBASSY FREETOWN
AMEMBASSY LAGOS
AMEMBASSY LUSAKA
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SUBJECT: ASSOCIATION OF AFRICAN CENTRAL BANKS MEETING, KINSHASA,
DEC. 13-16, 1976

1. SUMMARY: THE ASSOCIATION OF AFRICAN CENTRAL BANKS, MEETING IN
KINSHASA DEC 13-16, ENDORSED A SERIES OF RECOMMENDATIONS CONCERNING
REFORM OF THE IMF AND THE WORLD MONETARY SYSTEM. THE CENTRAL
BANKERS SUPPORTED AN EXPANSION OF THE SDR'S ROLE IN THE INTER-
NATIONAL MONETARY SYSTEM, INCLUDING ITS USE IN SETTLEMENTS AND A
LINK BETWEEN SDR CREATION AND DEVELOPMENT NEEDS OF THE LDC'S;
FAVORED THE REPLACEMENT OF FLOATING EXCHANGE RATES WITH FLEXIBLE
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(FIXE MAIS PAS RIGIDE) RATES; URGED THE LIBERALIZATION OF CONDIT-
IONS ATTACHED TO IMF FINANCING MECHANISMS AND INCREASED LDC ACCESS
TO CAPITAL MARKETS. END SUMMARY.

2. THE FOURTH CONFERENCE OF THE ASSOCIATION OF AFRICAN CENTRAL
BANKS OPENED IN KINSHASA DEC 13 WITH DELEGATIONS OR OBSERVERS

REPRESENTING BURUNDI, EGYPT, ETHIOPIA, MOROCCO, GHANA, THE GAMBIA, NIGERIA, SIERRA LEONE, TANZANIA, ZAMBIA, ZAIRE, THE IMF, THE EAST AFRICAN COMMUNITY, THE CENTRAL BANK OF WEST AFRICAN STATES, AND THE BANK OF CENTRAL AFRICAN STATES. THE CONFERENCE, CHAIRED BY SAMBWA PIDA NBAGUI, GOVERNOR OF THE BANK OF ZAIRE, STUDIED TWO BROAD ISSUES: THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM AND THE TRANSFER OF REAL RESOURCES IN FAVOR OF THE LDC'S.

3. ACCORDING TO PRESS REPORTS APPEARING HERE, THREE PAPERS WERE TABLED CONCERNING INTERNATIONAL MONETARY REFORM.

A. THE IMF REP PRESENTED A REPORT ON RECENT AMENDMENTS TO THE IMF STATUTES, FOCUSING ON THE ENLARGEMENT OF TRANCES AND THE GREATER ROLE FOR THE SDR.

B. ZAIRE'S REP STATED THAT IMF REFORMS HAD NOT GONE FAR ENOUGH IN MEETING THE NEEDS OF DEVELOPING COUNTRIES, SUPPORTED A LINK BETWEEN SDR CREATION AND DEVELOPMENT NEEDS OF LDC'S, AND URGED ADOPTION OF FLEXIBLE EXCHANGE RATES.

C. NIGERIA'S REP URGED THE ASSEMBLY TO FIND SOLUTION TO AFRICA'S PROBLEMS AMONG AFRICANS, BUT ADDED THAT INDUSTRIAL COUNTRIES SHOULD INSURE GREATER ACCESS TO CAPITAL MARKETS FOR LDC'S, AND PROPOSED THAT TAXES SHOULD BE ASSESSED ON DEVELOPED COUNTRIES, PROCEEDS OF WHICH WOULD BENEFIT POOR COUNTRIES.

4. AT CONCLUSION OF THE CONFERENCE, THE TWO WORKING COMMISSIONS (ONE FOR INTERNATIONAL MONETARY REFORM AND THE OTHER FOR RESOURCE TRANSFER) PRESENTED THEIR RECOMMENDATIONS, THE FULL FRENCH TEXT OF WHICH WILL BE FORWARDED TO DEPT BY AIRGRAM. THE RECOMMENDATIONS COVERED 40 POINTS, A SYNOPSIS OF WHICH FOLLOWS:

A. THE CURRENT REGIME OF FLOATING EXCHANGE RATES SHOULD BE ONLY A TEMPORARY STAGE, ALLOWING EACH COUNTRY TO DETERMINE THE EXCHANGE UNCLASSIFIED

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RATE WHICH THEY WILL ADOPT UNDER A FLEXIBLE EXCHANGE RATE SYSTEM.

B. THE SDR'S ROLE SHOULD BE INCREASED TO MAKE IT THE PRINCIPAL RESERVE IN THE INTERNATIONAL MONETARY SYSTEM, FOR INSTANCE BY OPENING OF A SUBSTITUTION ACCOUNT (COMPTE DE SUBSTITUTION) AND SETTLEMENT OF PAYMENT IMBALANCES IN SDR'S.

C. THE INCREASE IN INTERNATIONAL MONETARY LIQUIDITY SHOULD BE RESPONSIBILITY OF IMF AND SHOULD BE MET BY CREATION OF NEW SDR'S, THE ALLOCATION OF WHICH SHOULD BE CONSIDERED IN LIGHT OF EXISTING DISTRIBUTION OF RESERVES AND SPECIAL NEEDS OF LDC'S.

D. MEASURES SHOULD BE TAKEN TO DEMONETIZE GOLD.

E. RECENT AMENDMENTS TO THE IMF DESIGNED TO HELP LDC'S DO NOT RESPOND TO THEIR NEEDS SINCE ACCESS TO THE FUND IS CLOSELY TIED TO BALANCE OF PAYMENTS DIFFICULTIES WHICH ARE TREATED AS A SHORT-TERM PROBLEM. BALANCE OF PAYMENTS PROBLEMS, HOWEVER, DO NOT NECESSARILY REFLECT THE ECONOMIC SITUATION OF THE PARTICULAR COUNTRY; BOP SITUATION IS OFTEN THE RESULT OF THE REALIZATION OF THE COUNTRY'S ECONOMIC AND SOCIAL DEVELOPMENT PROGRAM AND THE IMF SHOULD REORIENT ITS PROGRAMS MORE TO MEDIUM AND PERMANENT MECHAN-

ISMS.

F. CREDIT TRANCHES: THE ENLARGED TRANCHES SHOULD REMAIN IN EFFECT RATHER THAN BE ANNULLED AS FORESEEN IN THE SECOND AMENDMENTS OF THE IMF STATUTES. REESTABLISHMENT OF A FIRST CREDIT TRANCHE WITH EASY CONDITIONS. LIGHTENING OF "DRACONIAN AND RIGID" CONDITIONS ATTACHED TO HIGHER TRANCHE DRAWINGS. DELAY OF CURRENCY REPURCHASES, IN ORDER TO INCREASE IMPACT OF IMF FINANCING ON ECONOMIES OF POOREST COUNTRIES.

G. SALE OF TWO-THIRDS OF IMF'S REMAINING GOLD HOLDINGS, PROFIT FROM WHICH, IF NOT THE TOTAL PROCEEDS, SHOULD BE USED TO FINANCE PAYMENT DEFICITS AT PREFERENTIAL RATES FOR LDC'S, PARTICULARLY THE POOREST.

H. LINK BETWEEN THE SDR CREATION AND FINANCING.

I. IMPROVED ACCESS TO CAPITAL MARKETS FOR LDC'S.

J. REINVIGORATION OF MULTILATERAL INSTITUTIONS, I.E. IBRD AND IDA, INCLUDING MORE FREQUENT CAPITAL INCREASES FOR IBRD AND LOWERED RATES FOR FINANCING FROM THOSE SOURCES, TO BE SUBSIDIZED BY PAYMENT FROM COUNTRIES WITH BOP SURPLUSES.

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